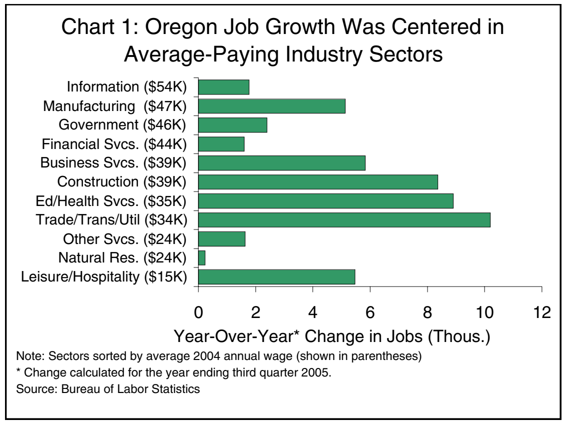
State Profile

Winter 2005

Oregon

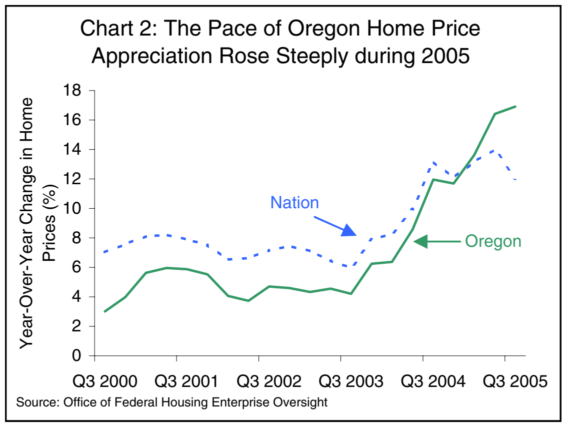
Oregon job growth remained strong and wages increased modestly.

- Although Oregon job gains continued to accelerate in third quarter 2005 and ranked sixth nationwide, wage growth in the state was comparatively subdued. Recently released wage data for first quarter 2005 show that Oregon wages increased just 1.5 percent, below the national wage growth rate of 2.2 percent.
- Recent job growth was led by the trade/transportation/utilities sector, followed by the education/health services and construction sectors; all three reported annual wages near the state average of $35,600 (see Chart 1).
- Forecasts indicate Oregon job growth will continue to exceed the national pace through 2006.[1]



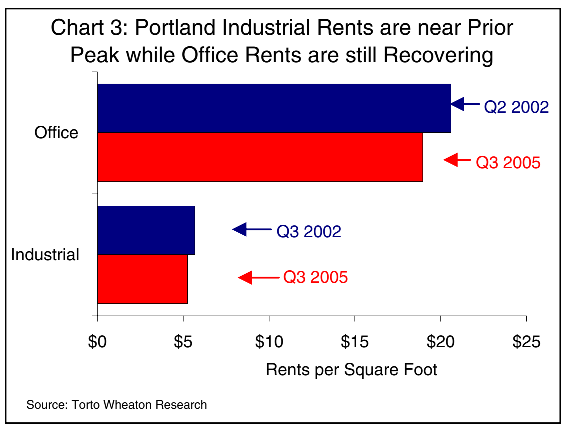
Oregon residential markets experienced continued growth.

- During third quarter 2005, Oregon year-over-year home price appreciation increased from 16.4 percent the prior quarter to 16.9 percent (see Chart 2).[2]
- In the Portland area, the unsold supply of inventory in October was the highest since February 2005 and listings in the month of October 2005 were up over 13 percent from the same month in 2004.[3]
- At the same time, the number of Portland-area closed sales continued to grow through October 2005, increasing 14.7 percent over the same ten month period in 2004.[4]



Commercial real estate continued to rebound.[5]

- In Portland, industrial rental rates are near their prior peak while office rents are still recovering as office vacancies slowly improve (see Chart 3).



[1]Forecast data from Moody's Economy.com.
[2]Home price appreciation data is from the Office of Federal Housing Enterprise Oversight.
[3]According to the Portland metro area Boards and Associations of Realtors, RMLS.
[4]Ibid.
[5]Based on office and industrial property data from Torto Wheaton Research and hotel and apartment market data from Property & Portfolio Research.

- Third quarter apartment vacancies in Portland declined to 6.9 percent and rents edged up slightly.
- Hotel occupancy rates in Portland reached nearly 61 percent in third quarter 2005, the highest level since 1999.

Strong population growth propelled office growth in Portland.

- Oregon slowed from 10th fastest population growth rate in the nation in 2002 to the 21st in 2004. Consistent with the slower population growth, Oregon added only 14 banking offices during the twelve months ending June 2005, well below the 31 offices added a year earlier.
- Although the Portland metropolitan area reported most of the population and new office growth, they continued to have over 3,900 people per banking office compared to 3,412 in metropolitan areas nationwide (see Map 1).

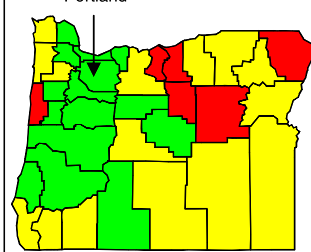
Bank and thrift earnings performance strengthened.

- Third quarter 2005 earnings for Oregon-based insured institutions increased significantly year-over-year and institutions in the state now report the tenth-best median pre-tax return on assets ratio in the nation, up from 28th a year ago. Lower overhead expenses during the quarter offset slight net interest margin compression and increased provision expenses.
- Despite a year-over-year increase in assets repricing within three months, Oregon banks still tend to be liability sensitive (see Chart 4).[6] Interest-bearing liabilities repricing within one-year accounted for over 60 percent of total assets, compared to only 42 percent of interest-bearing assets. This imbalance allowed rising short-term interest rates to hamper net interest margins.

Problem loan ratios declined, and loan growth remained strong.

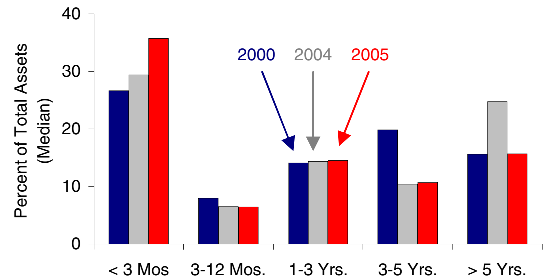
- Oregon ranked sixth lowest among the states for past-due loans in third quarter 2005, with 18 percent of institutions holding no past-due loans. Also, 63 percent reported delinquencies below 1 percent (see Chart 5).
- Improving economic fundamentals, a high proportion of new banks with unseasoned loan portfolios, and strong (albeit slowing) loan growth may have helped to ease delinquencies.
- Volumes of higher-risk loans remain high, however. Growth in construction loans continued to outpace other segments of the loan portfolio, pushing the median concentration of construction loans to Tier 1 capital to 88 percent, the ninth highest in the nation. Growth in other commercial real estate (CRE) loan categories was also strong, although median increases were slower than year-earlier levels. Overall, CRE loan concentrations declined year-over-year, but still ranked third in the nation.
- Rising interest rates, higher energy prices, and a rash of bankruptcy filings early in the fourth quarter may lift delinquencies from their current low levels.

Map 1: Portland Reported Higher People Per Office Than Most Other Areas in Oregon



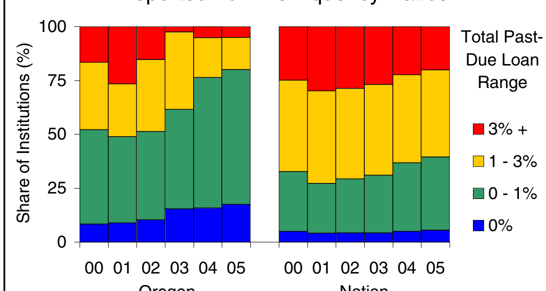
Source: FDIC, U.S. Census Bureau

Chart 4: Oregon Banks Increased Short-Term Assets Significantly Year-Over-Year



Note: Loans and securities are shown by reported repricing and/or maturity. Fed funds sold and interest-bearing deposits at other banks are assumed to reprice within 3 months.
Source: FDIC (Call Report filers only, September of each year)

Chart 5: Most Oregon-Based Institutions Reported Low Delinquency Ratios



Note: Includes loans past due 30 days or more or on nonaccrual status.
Source: FDIC (September of each year)

[6] Liability-sensitive institutions have interest-bearing liabilities maturing or repricing sooner than interest-bearing assets.

Oregon at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.2%	3.1%	2.7%	2.0%	-0.7%
Manufacturing (12%)	2.5%	2.9%	4.3%	2.4%	-3.3%
Other (non-manufacturing) Goods-Producing (6%)	8.8%	6.7%	7.3%	6.5%	-1.5%
Private Service-Producing (65%)	3.4%	3.3%	2.3%	1.9%	0.3%
Government (17%)	1.0%	1.7%	1.4%	0.7%	-1.9%
Unemployment Rate (% of labor force)	6.5	6.5	7.4	7.4	8.1

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	6.0%	5.6%	5.7%	2.0%
Single-Family Home Permits	11.0%	17.6%	19.4%	13.6%	5.0%
Multifamily Building Permits	-21.1%	-22.5%	38.3%	-2.4%	41.7%
Existing Home Sales	15.5%	6.8%	8.8%	15.8%	8.6%
Home Price Index	16.9%	16.4%	12.0%	9.7%	4.8%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	9.30	8.06	6.58	6.87	7.19

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	40	39	38	40	38
Total Assets (in millions)	23,479	22,562	23,233	23,601	21,395
New Institutions (# < 3 years)	7	8	6	8	4
Subchapter S Institutions	2	2	2	2	2

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.43	0.45	0.59	0.44	0.84
ALLL/Total Loans (median %)	1.17	1.19	1.21	1.20	1.18
ALLL/Noncurrent Loans (median multiple)	5.66	6.16	2.79	4.86	2.32
Net Loan Losses / Total Loans (median %)	0.00	0.00	0.01	0.05	0.12

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	9.92	10.12	10.02	10.52	10.38
Return on Assets (median %)	1.34	1.14	1.24	1.13	1.26
Pretax Return on Assets (median %)	1.80	1.67	1.49	1.52	1.75
Net Interest Margin (median %)	5.15	5.02	5.10	4.95	5.04
Yield on Earning Assets (median %)	6.82	6.51	6.38	6.12	6.53
Cost of Funding Earning Assets (median %)	1.81	1.65	1.27	1.27	1.44
Provisions to Avg. Assets (median %)	0.18	0.13	0.14	0.17	0.24
Noninterest Income to Avg. Assets (median %)	0.71	0.71	0.72	0.66	1.04
Overhead to Avg. Assets (median %)	3.42	3.42	3.53	3.47	3.73

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	73.5	74.0	74.6	74.7	72.8
Noncore Funding to Assets (median %)	15.7	16.3	15.7	16.6	14.0
Long-term Assets to Assets (median %, call filers)	15.9	15.9	26.7	23.1	26.2
Brokered Deposits (number of institutions)	14	13	13	13	11
Brokered Deposits to Assets (median % for those above)	8.2	6.5	2.0	2.5	2.8

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	94.0	105.7	104.9	97.1	90.9
Commercial Real Estate	426.8	431.0	443.4	427.4	384.6
Construction & Development	88.0	73.8	74.4	77.8	78.9
Multifamily Residential Real Estate	20.0	20.5	23.7	22.1	20.7
Nonresidential Real Estate	242.4	239.4	244.1	260.7	237.2
Residential Real Estate	61.1	64.0	66.1	65.2	70.3
Consumer	12.3	14.2	17.7	13.9	20.1
Agriculture	12.8	13.8	12.0	9.9	9.5

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Portland-Vancouver-Beaverton, OR-WA	40	25,150	< $250 million	26 (65%)
Eugene-Springfield, OR	16	3,349	$250 million to $1 billion	10 (25%)
Salem, OR	18	3,342	$1 billion to $10 billion	4 (10%)
Medford, OR	13	2,362	> $10 billion	0 (0%)
Bend, OR	14	1,990		